

# **PULASKI TOWNSHIP**

**Jackson County, Michigan**

## **FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# PULASKI TOWNSHIP

## TABLE OF CONTENTS

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	<u>PAGE</u>
Independent Auditors' Report.....	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	2
Statement of Activities.....	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	4
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual: General Fund.....	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual: Fire Fund.....	9
Statement of Fiduciary Assets and Liabilities .....	10
Notes to the Financial Statements .....	11-19

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

September 22, 2008

Board of Trustees  
Township of Pulaski  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Pulaski Township, Michigan***, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pulaski Township, Michigan, as of March 31, 2008, and the respective changes in financial position thereof and the budgetary comparisons for the general and fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**PULASKI TOWNSHIP**  
**Statement of Net Assets and General Fund Balance Sheet**  
**March 31, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash	\$ 156,170
Accounts receivable	32,481
Capital assets not being depreciated	11,856
Capital assets being depreciated, net	<u>335,470</u>
<b>Total assets</b>	<u><u>535,977</u></u>
 <b>Liabilities</b>	
Accrued liabilities	10,244
Long term debt	
Due within one year	5,031
Due after one year	<u>42,602</u>
<b>Total liabilities</b>	<u><u>57,877</u></u>
 <b>Net Assets</b>	
Investment in capital assets, net of related debt	299,693
Unrestricted	<u>178,407</u>
<b>Total net assets</b>	<u><u>\$ 478,100</u></u>

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

<u><b>Functions / Programs</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net (Expense) Revenue</b></u>
		<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>	
Governmental activities:					
General government	\$ 136,755	\$ 5,050	\$ 133,200	\$ -	\$ 1,495
Legislative	32,765	-	-	-	(32,765)
Public safety	47,656	-	-	-	(47,656)
Public works	10,789	-	-	-	(10,789)
Planning and zoning	540	-	-	-	(540)
Interest on long-term debt	3,359	-	-	-	(3,359)
Cemetery	-	6,029	-	-	6,029
Total	<u>\$ 231,864</u>	<u>\$ 11,079</u>	<u>\$ 133,200</u>	<u>\$ -</u>	<u>(87,585)</u>

General revenues:

Property taxes	111,227
Other revenue	13,017
Unrestricted investment earnings	<u>3,108</u>

Total general revenues 127,352

Change in net assets 39,767

Net assets, beginning of year 438,333

**Net assets, end of year** \$ 478,100

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**



**PULASKI TOWNSHIP**  
**Balance Sheet**  
**Governmental Funds**  
**For the Year Ended March 31, 2008**

	<b>Major Fund</b>			
	<b>General</b>	<b>Debt</b>	<b>Fire</b>	
	<b>Fund</b>	<b>Service</b>	<b>Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash	\$ 102,233	\$ -	\$ 53,937	\$ 156,170
Accounts receivable	20,747	-	-	20,747
Taxes receivable	4,896	-	6,838	11,734
Due from other funds	8,980	-	-	8,980
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 136,856</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 60,775</u></b>	<b><u>\$ 197,631</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accrued liabilities	\$ 10,244	\$ -	\$ -	\$ 10,244
Due to other funds	-	-	8,980	8,980
<b><u>TOTAL LIABILITIES</u></b>	<b><u>10,244</u></b>	<b><u>-</u></b>	<b><u>8,980</u></b>	<b><u>19,224</u></b>
<b>Fund balances</b>				
Unreserved	126,612	-	51,795	178,407
<b><u>TOTAL LIABILITIES</u></b>	<b><u>\$ 136,856</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 60,775</u></b>	<b><u>\$ 197,631</u></b>
<b><u>AND FUND BALANCES</u></b>				

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2008**

Fund balances - total governmental funds	\$ 178,407
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	347,326
Certain liabilities, such as loans payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - loan payable	<u>(47,633)</u>
Net assets of governmental activities	<u><u>\$ 478,100</u></u>

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2008**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Debt Service</b>	<b>Fire Fund</b>	<b>Total</b>
<b>Revenues</b>				
Taxes	\$ 47,490	\$ -	\$ 63,737	\$ 111,227
Licenses and permits	5,050	-	-	5,050
Intergovernmental revenue	133,200	-	-	133,200
Interest revenue	2,195	-	913	3,108
Rents and Royalties	1,775	-	-	1,775
Miscellaneous revenue	766	-	-	766
Cemetery	6,029	-	-	6,029
Refunds	10,476	-	-	10,476
Total revenues	206,981	-	64,650	271,631
<b>Expenditures/Expenses</b>				
Current:				
Legislative	32,765	-	-	32,765
General government	87,542	-	-	87,542
Public safety	-	-	47,654	47,654
Public works	30,007	-	-	30,007
Planning	540	-	-	540
Debt Service:				
Principal	-	17,415	-	17,415
Interest	-	3,359	-	3,359
Total expenditures/expenses	150,854	20,774	47,654	219,282
Revenue over (under) expenditures	56,127	(20,774)	16,996	52,349
<b>Other financing sources (uses)</b>				
Transfers in	-	20,774	-	20,774
Transfers out	(20,774)	-	-	(20,774)
Total other financing sources (uses)	(20,774)	20,774	-	-
Net change in fund balances	35,353	-	16,996	52,349
Fund balances, beginning of year, as restated	91,259	-	34,799	126,058
<b>Fund Balance, end of year</b>	<u>\$ 126,612</u>	<u>\$ -</u>	<u>\$ 51,795</u>	<u>\$ 178,407</u>

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2008**

Net change in fund balances - total governmental funds	\$ 52,349
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct - depreciation expense	(29,997)
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Loan proceeds provide current financial resources to governmental funds in the period issued, but obtaining a loan increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	<u>17,415</u>
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Change in net assets of governmental activities	<u><u>\$ 39,767</u></u>
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The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Statement of Revenue, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**March 31, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>(Under) Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 45,500	\$ 45,500	\$ 47,490	\$ 1,990
Licenses and permits	7,900	7,900	5,050	(2,850)
Intergovernmental revenue	130,000	130,000	133,200	3,200
Interest revenue	700	700	2,195	1,495
Rents and Royalties	2,500	2,500	1,775	(725)
Miscellaneous revenue	2,600	2,600	766	(1,834)
Cemetery	4,000	4,000	6,029	2,029
Refunds	5,000	5,000	10,476	5,476
Total revenues	198,200	198,200	206,981	8,781
<b>Expenditures</b>				
Legislative	46,000	46,000	32,765	13,235
General government				
Supervisor	17,000	17,000	16,860	140
Elections	4,000	4,000	2,192	1,808
Assessor	-	-	5,701	(5,701)
Clerk	18,000	18,000	21,868	(3,868)
Deputy clerk	7,500	7,500	7,011	489
Board of review	1,200	1,200	1,175	25
Treasurer	19,000	19,000	17,990	1,010
Deputy treasurer	2,000	2,000	1,065	935
Buildings & grounds	7,000	7,000	6,475	525
Bldg Inspector	10,000	10,000	4,615	5,385
Social Security	6,000	6,000	2,590	3,410
Total general government	91,700	91,700	87,542	4,158
Public works				
Cemetery	19,000	19,000	19,216	(216)
Roads	8,000	8,000	6,750	1,250
Lights	3,300	3,300	2,731	569
Refuse	4,000	4,000	1,310	2,690
Total public works	34,300	34,300	30,007	4,293
Planning & zoning	2,000	2,000	540	1,460
Total expenditures	174,000	174,000	150,854	23,146
Revenues over expenditures	24,200	24,200	56,127	31,927
<b>Other financing sources</b>				
Transfers out	-	-	(20,774)	(20,774)
Net change in fund balances	24,200	24,200	35,353	11,153
Fund balance, beginning of year, as restated	91,259	91,259	91,259	-
<b>Fund balance, end of year</b>	<u>\$ 115,459</u>	<u>\$ 115,459</u>	<u>\$ 126,612</u>	<u>\$ 11,153</u>

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Statement of Revenue, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Fire Fund**  
**March 31, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 60,500	\$ 60,500	\$ 63,737	\$ 3,237
Interest revenue	-	-	913	913
Total revenues	60,500	60,500	64,650	4,150
<b>Expenditures</b>				
Public Safety				
Fire	64,500	64,500	45,291	19,209
Social security	-	-	2,363	(2,363)
Total public safety	-	64,500	47,654	16,846
Net change in fund balances	(4,000)	(4,000)	16,996	20,996
Fund balance, beginning of year, as restated	34,799	34,799	34,799	-
<b>Fund balance, end of year</b>	<u>\$ 30,799</u>	<u>\$ 30,799</u>	<u>\$ 51,795</u>	<u>\$ 20,996</u>

The accompanying notes are an integral part of these financial statements.

**PULASKI TOWNSHIP**  
**Statement of Fiduciary Net Assets**  
**Current Tax Collections Agency Fund**  
**March 31, 2008**

**ASSETS**

**Assets**

Cash and short-term investments	<u>\$ 1,839</u>
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**LIABILITIES**

**Liabilities**

Due to others	<u>\$ 1,839</u>
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The accompanying notes are an integral part of these financial statements.

## **NOTES to the FINANCIAL STATEMENTS**



# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Pulaski Township (the “government” or “Township”) is governed by an elected five-member board of trustees. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fire fund* accounts for the expenses related to the volunteer fire department.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund type:

The *agency fund* accounts for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# **PULASKI TOWNSHIP, MICHIGAN**

## **Notes To Financial Statements**

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### **D. Assets, liabilities and net assets/equity**

#### **1. *Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

#### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### **3. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	10-20
Equipment	5

### ***4. Compensated absences***

The Township's employees are all part-time and are not entitled to any paid vacation or sick leave. Therefore, compensated absences are not accrued in the accompanying financial statements.

### ***5. Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

### ***6. Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted for all governmental fund types each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual for the General and Fire fund.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

A reconciliation of cash as shown on the Statement of Net Assets to deposits as classified for note disclosure purposes is as follows:

#### Statement of Net Assets:

Cash and cash equivalents	\$ 156,170
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#### Statement of Fiduciary Net Assets:

Cash and cash equivalents	<u>1,839</u>
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**\$ 158,009**

#### Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 51,376
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Multi-trust	<u>106,633</u>
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**\$ 158,009**

### Deposits and investments

The Township chooses to disclose its deposits and investments by specifically identifying each. As of year end, the Township had the following deposits and investments.

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 51,376	n/a
Multi-trust	n/a	<u>106,633</u>	n/a
		<b><u>\$ 158,009</u></b>	

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **Deposit and investment risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. Investments which had credit risk ratings at year end are noted above.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, all of the \$60,468 of the Township's bank balance was insured by the F.D.I.C.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### B. Capital assets

Capital assets activity for the year ended March 31, 2008, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 11,856	\$ -	\$ -	\$ 11,856
Capital assets, being depreciated:				
Buildings	193,655	-	-	193,655
Vehicles	354,158	-	-	354,158
Equipment	20,800	-	-	20,800
Total capital assets being depreciated	568,613	-	-	568,613
Less accumulated depreciation for:				
Buildings	(43,966)	(3,873)	-	(47,839)
Vehicles	(138,380)	(26,124)	-	(164,504)
Equipment	(20,800)	-	-	(20,800)
Total accumulated depreciation	(203,146)	(29,997)	-	(233,143)
Total capital assets being depreciated, net	365,467	(29,997)	-	335,470
<b>Capital assets, net</b>	<u>\$ 377,323</u>	<u>\$ (29,997)</u>	<u>\$ -</u>	<u>\$ 347,326</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 2,050
Public Works	7,341
Public Safety	20,606
	<u>\$ 29,997</u>

# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### C. Interfund receivables, payables and transfers

The Township had interfund balances as follows as of March 31, 2008.

	<u>Due to</u>	<u>Due from</u>
<b><u>Governmental funds:</u></b>		
General fund	\$ -	\$ 8,980
Fire fund	8,980	-
	<u>\$ 8,980</u>	<u>\$ 8,980</u>

The composition of interfund transfers for the year ended is as follows:

	<u>In</u>	<u>Out</u>
<b><u>Governmental funds:</u></b>		
General fund	\$ -	\$ 20,774
Debt service fund	20,774	-
	<u>\$ 20,774</u>	<u>\$ 20,774</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended March 31, 2008, the Township transferred funds from the general fund to the debt service fund to provide additional resources for the debt service payments.

### D. Long-term debt

*Loan Agreement.* The government used a loan agreement to provide funds in the amount of \$100,000 for the construction of a new fire department hall. This loan agreement is being repaid from the debt service fund. Repayment is due in four bi-annual installments of \$3,887 (including interest), with a final balloon payment of \$25,624 in the fifth year. The loan carries an interest rate of 5.83%.



# PULASKI TOWNSHIP, MICHIGAN

## Notes To Financial Statements

The changes in general long-term debt are as follows:

Balance, beginning of year	\$ 65,048
Payments	<u>17,415</u>
<b>Balance, end of year</b>	<b><u>\$ 47,633</u></b>
<b>Due within one year</b>	<b><u>\$ 5,031</u></b>

The annual principal and interest requirements to retire this debt as of March 31, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,031	\$ 2,743	\$ 7,774
2010	5,333	2,441	7,774
2011	5,653	2,121	7,774
2012	5,992	1,782	7,774
2013	<u>25,624</u>	<u>757</u>	<u>26,381</u>
	<b><u>\$ 47,633</u></b>	<b><u>\$ 9,844</u></b>	<b><u>\$ 57,477</u></b>

## IV. OTHER INFORMATION

### A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2007 levy was assessed at \$42,062,936. The government's general operating tax rate for fiscal year 2007-2008 was .7388 mills with 1.4118 additional mills levied for fire operations.

### B. Restatement

Fund balance in the general fund was restated at March 31, 2007 (increased) by \$28,505 in order to correctly state accounts receivable and to eliminate a due to/due from amount that was carried forward from previous year. Also, the fund balance in the general fund was increased to reclassify accounts payable to the fire special revenue fund in the amount of \$3,843.

Additionally, a fund balance in the fire special revenue fund was reclassified from the general fund in the amount of \$34,799, in order to portray that activity in a separate fund for the year ending March 31, 2008.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER SAS NO. 114

September 22, 2008

To the Township Board  
Pulaski Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Pulaski Township* (the “Township”) for the year ended March 31, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated April 25, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the *Township*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting and correspondence about planning matters on May 29, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. . An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the audit adjustments described in the Findings section following in this report indicate matters that could have a significant effect on Pulaski Township's financial reporting process.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of *Pulaski Township* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.

# **Pulaski Township**

## **Comments and Recommendations**

**For the Year Ended March 31, 2008**

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In planning and performing our audit of the financial statements of the Pulaski Township (the "Township") as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the two findings disclosed below are considered to be material weaknesses, as defined above.

### **Audit Adjustments**

**Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

## **Pulaski Township**

### **Comments and Recommendations**

**For the Year Ended March 31, 2008**

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**Condition:** During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the Township's general ledger to the appropriate balances. These adjustments included recording accounts receivable, capital assets, accounts payable, long-term debt, and a prior period adjustment to correct the governmental fund balances.

**Cause:** This condition was the result of various oversights by management in reconciling the general ledger and closing out the fiscal year, and a reliance on the audit firm to complete these closing adjustments.

**Effect:** As a result of this condition, the Township's accounting records were initially misstated by amounts material to the financial statements.

#### **Recommendation/**

**Comment:** We recommend that the Township adjust all balance sheet accounts to underlying details for each fiscal year's closing process.

#### **View of Responsible**

**Officials:** The Township will try to record more of the above year end closing adjustments in the future.

### **Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

# **Pulaski Township**

## **Comments and Recommendations**

**For the Year Ended March 31, 2008**

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**Cause:** This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

### **Recommendation/**

**Comment:** The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **View of Responsible**

**Officials:** The Township will continue to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## **Other Matters**

### **Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Township's unique circumstances.

As is the case with many organizations of similar size, Pulaski Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Essentially, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

# **Pulaski Township**

## **Comments and Recommendations**

**For the Year Ended March 31, 2008**

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Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental and non-profit environment. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of an organization's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Township's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Township's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

### **Credit Card Policy**

Presently, the Township has no policy for the use of its credit cards. All units of government in Michigan which use credit cards are required to have a credit card policy, and we recommend that the Township Board approve a policy as soon as possible in order to become compliant..

### **Time card approval**

Currently, there is no supervisor's approval on hourly time cards. We recommend that the appropriate supervisor or Clerk document their approval on the time cards by initialing or signing.

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